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Karberg, Herman

A traveling man on the financial question

[St. Louis]

[1895]

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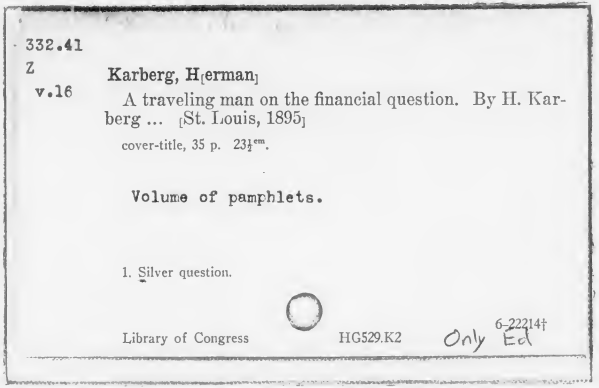

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A TRAVELING MAN

—ON THE—

FINANCIAL QUESTION.

—BY—

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A TRAVELING MAN

—ON THE—

FINANCIAL QUESTION.

Is it advisable to make a new experiment as to the currency question at present; would it not impair the confidence at present slowly returning; would it not further disturb values and injure the business interests of the country? Monetary conditions have changed all over the world during the last twenty-five years. The annual production of silver has about quadrupled in less than twenty-five years, not only in the United States, but in the whole world, while the production of gold has not increased much. All European nations have closed their mints to the coinage of silver. Germany took advantage of the large amount of gold paid it by France as war indemnity, and in 1871 stopped the coinage of silver. Other nations of Europe followed. India closed her mints to silver in 1893.

No country so far has been able to maintain the free unlimited coinage of silver. Where the trial has been made, the country has come to silver monometallism. The United States cannot alone force the re-establishment of the parity of gold and silver. Even the Latin Union, consisting of France, Belgium, Italy,

Switzerland and Greece, was compelled to suspend the coinage of silver in 1876, when other European nations had ceased this coinage. The supply of silver seems to be larger than the demand, and as long as this continues, silver will be cheap, and no legislation will ever change the law, that supply and demand regulate value of products. The nations using both gold and silver in their monetary systems have the largest volume of money and the largest per capita, and vice versa. France has about thirty-seven dollars per capita, while Mexico, has only four dollars per capita, the United States having about twenty-four dollars.

No country in the world is successfully maintaining free and unlimited coinage of silver, and such coinage at the ratio of sixteen to one, cannot be maintained by even the United States, without the co-operation of the nations of Europe. Our silver friends pretend to believe that if this nation says sixteen ounces of silver are worth one ounce of gold, all other nations will say "Amen". Is it not more likely that all other commercial nations would make this their dumping ground for all the silver they have, if they can get 1 ounce of gold for every 16 ounces of silver, but if the United States cannot furnish 1 ounce of gold for every 16 ounces of silver, how long will this ratio continue? Will not silver go down?

A great many people seem to think that silver is money. Silver is a product, so is gold. Gold is made a measure of all other values. It may be said, but why have gold for this measure, and why not silver; but why not lead, iron or copper? Merely, because gold, being of all practical metals, the dearest, and the least likely to fluctuate, the commercial nations of the world have adopted it as this measure. As we said before, the production of silver in the world during late years,

has been ahead of the demand, and in consequence of this, the market value of the same has been reduced. Our silver producers, the owners of silver mines in the Western States, say if the United States will adopt free coinage of silver, everything will be prosperous and everybody in a few years will be rich. They want to sell their product at the highest price possible, and they can hardly be blamed for it. In some of the mines of Colorado, silver can be produced at a profit for fifty cents per ounce; in others, not for less than 75 to 85 cents, in a good many, not for less than $1.00 to $1.25 or possibly $2.00. Which is a reasonable price? When Mr. Carlisle, the Secretary of the Treasury, made his last purchase of silver, he offered the London price for silver. Our silver men said that was not fair, they could not afford to sell at that price. Ridiculous! Why shall they have more privileges than the farmer, the mechanic, the laborer, the merchant? The owner of a rich mine will say, I can sell my silver at 50 to 60 cents and make money, but will take as much more as I can get; but if there is another mine which can produce silver at 40 cents, the price ought to be high enough to protect me, or else I will be a bankrupt. But is not the owner of a poor mine which produces silver at $1.25 entitled to as much consideration as the owner of the 50 cent mine, and what then should be the price? Is not the farmer entitled to as much consideration as the mine owner, and ought not the government insure to him a certain price for his products? And why not the mechanic, the laborer, and merchant, the doctor and the lawyer? It would be a paternal government indeed and the socialists ought to be satisfied. It would then not make any difference whether we would raise a surplus of wheat, corn, cotton, meats, etc.; the government would insure to every-

one a certain price, and our silver kings of the West would be in their glory as long as their mines would hold out. The free coinage of silver would continue indefinitely, no matter how much money would be in circulation; and would be inflation with a vengeance, with the advantage to the mine owner alone. The silver states and territories produced in 1892, fifty-eight million ounces of silver, the coinage value of which was about seventy million dollars. These states and territories contain about 1,100,000 inhabitants; these people demand that the balance of the United States—about sixty million inhabitants—pay them double the value of their products, so that these few may grow rich. But suppose the people of the United States would be satisfied to accept this avalanche of silver and lull themselves into the belief that every sixteen ounces of silver could be turned into one ounce of gold at any time, what would other nations do? It is not to be imagined that these foreign nations would accept our inflated silver currency at par. Whenever they sell us any goods they will demand gold or its equivalent. They will not accept at our diction 16 ounces of our silver for 1 ounce of gold, when they can purchase in other parts of the world 25-30 ounces of silver for 1 ounce of gold. Well, say our silverites, we can do without the foreign countries; we do not need them as much as they need us. What is to become of our surplus products? We must remember that the increase of our agricultural products promises to be larger proportionately than the increase of population. They may say, we will put a prohibitory tariff on everything which we can produce or manufacture in this country. This scheme might work, but how long would the American people stand it? Shall we adopt the Chinese methods for the

sole accommodation of our silver producers? This can never be done. We must trade with the world and follow a course or policy in line with the commercial nations, and we have to face the question, how will we get along with foreign nations? They will certainly not sell to us and take silver at par, if it is not worth it in the markets of the world, that is, 16 ounces of silver for 1 ounce of gold.

Our commerce with foreign nations aggregates hundreds of millions of dollars per annum, and this cannot be carried on with profit to us, except with money which is acceptable in any part of the world. We must not forget that the experience of all nations having free coinage of silver, has been to drive gold from that country, and we would thus lose nearly one-half of our coin circulating medium, as we have about six hundred million dollars of gold in circulation.

A late issue of the Times-Herald of Chicago contained the following:

"The story is current that three farmers agreed to go into the dairy business together. The first had his portion of the capital in gold. The second had his in silver. The third had his in legal tender. They deposited the money in the hotel safe and during the night the building burned. When the safe was opened the gold was found melted into bullion; the silver was melted into bullion; the paper was ashes. What constituted the value in the three kinds of money? Clearly not the government stamp. The man who owned the paper had nothing left either of value or money. Nor did the government stamp help the man who owned the silver. The silver was worth whatever the market price per ounce happened to be. The silver owner found himself possessed of value to the amount of 50 cents, where before he seemed to have a dollar. The

man who owned the gold was worth exactly as much as before the fire occurred. His bullion needed not even a stamp. It had only to be weighed. Literally it was its weight in gold. In it alone value and money were conjoined."

Yet foolish people will go on imagining or asserting that a mere government say-so is all that is required to make par money out of silver, which is not at par with the only metal the world takes as money at its weight alone. Such assertions are made in the face of repeated experiments which have invariably resulted in exploding the theory. The students of the money question who are also students of general history, cannot forget that they learned a true lesson of the difference between money and value when they began the history of Greece. Lycurgus was a believer in the all-powerfulness of the state to make money out of anything and without paying the slightest attention to any other community than the one for whom the money was to be made. Lycurgus was a consistent statesman, however, in the application of his theory. He did not favor free silver; he was content with free iron, and he designed it to bar Sparta from intercourse with any other portion of the then civilized world. Lycurgus called in all the silver and gold current, and coined iron into money as a substitute for them. To each coin he attached an arbitrary value by state all-powerfulness. The experiment not only cut Sparta off from the rest of the world, but speedily paralyzed all her domestic industry. The lawmaker could declare a coin to be rated as so much in money, but he could not alter the fact that the metal he had adopted had an intrinsic value which he could not modify in the slightest degree. Soon it required a yoke of oxen to transport a couple of hundred dollars; just as today in silver standard

countries it requires safes as big as houses to hoard the metal of small intrinsic value, no matter what the local rating as money may be. Production and exchange necessarily ceased in Sparta and Lycurgus, realizing the inevitable result of the demonstration of his suicidal course, exiled himself, having first compelled the Spartans to promise not to alter his laws until he should return. He did not intend ever to return. The promise was not observed. It could have been observed only at the risk of dissolution of society and absorption of Sparta by a more intelligent rival. Yet lessons as plain as this teach nothing to votaries of the illusion that there is no difference between money and value in metals or paper, government stamped and certified; that government can make money as easily as rags are made into paper, and that different metals holding widely different places in the world, both in industry and in currency, can be made and kept at par with each other merely by a government stamp.

As the experiment in Sparta is typical of all similar experiments, so the simple statement of Sir Isaac Newton in 1819 is sufficient for all who formulate sound views on the relation of the metals as money. Sir Isaac Newton said that a certain weight of gold bullion "with an impression on it denoting it to be of certain weight and fineness, constituted the only true, intelligible and adequate standard of value." The part silver may safely play in the business of the world as currency, must be subsidiary to that, and any country that attempts to substitute silver for gold by a mere say-so of a legislature must either expect to be crowded out of the world and back upon itself, or it must voluntarily become, as Corea is to-day and Lycurgus meant Sparta to be, "a hermit nation."

Why is it that you can go to Mexico to-day and purchase for one American silver dollar as much as for two Mexican silver dollars, notwithstanding the Mexican dollar contains finer and more silver than our dollar? Because Mexico does not work under the gold standard, and because the Mexicans know they can get for every American silver dollar a dollar in gold. Why are imported articles in Mexico so much higher than they are with us? Because Mexicans have to pay more for their goods, their currency being depreciated. There is no doubt that if this country adopts free coinage of silver we would eventually be in the same plight. Would it make our country more prosperous to have an unlimited coinage of silver at 16 to 1? The silver men say, —certainly, the more money the higher prices will be. Always remember that you will not get one dollar unless you give an equivalent in labor or products of labor. We should have enough money to conduct our business with, but the volume of money is not going to affect the price of products. France has a per capita of $37.00, while England has only a per capita of $19.00 —about one-half; yet there is no difference in the prices of goods in the two countries, and labor is paid better wages in England than in France. The United States has a per capita of $24.00. Prices, however, are higher with us than in France and labor receives far better wages here than in France. It is claimed that the amount of circulation in the State of New York per capita is about $90.00, while in Arkansas it is said to be only $18.00, yet there is no difference in prices to speak of, after deducting costs of transportation.

The silverites claim that the low price of wheat in the last years is due to the stoppage of free silver coinage. Is wheat the only product of the farmer? Have corn, oats, rye, meats, etc., come down in price? These

products have in price varied considerably in the last 25 years, but to-day they are not cheaper than they were before 1873, the year from which the silver men claim all the misfortunes of the country date. The opening up of new areas in India, Russia and in other countries, suitable for the raising of wheat, have caused a great over-production of this cereal, the same old story of supply and demand. The same of cotton; if the demand of the world amounts to about six million bales of cotton and there is a supply of nine million of bales, everybody will admit that such supply will cause a decline of price. Of this, more later.

We hear it said that money is scarce in the United States. I said before that our per capita circulation is about $24.00 and only France of all nations has a larger circulation. We have in circulation about sixteen hundred million, while France has about sixteen hundred million, Germany nine hundred million and England about eight hundred million dollars. The report of the director of the mint shows that our per capita is three times, or nearly so, as great as the average per capita of civilized nations, and about 50 per cent greater than the average of Europe; the aggregate per capita of banking capital, right of issue and deposits in all banks is $105.00 in the United States, and only about $75.00 in France.

Mr. Leech, Director of the United States Mint, has prepared for the Congressional Committee on Coinage a series of tables showing the estimated and officially reported amounts of gold and silver in circulation as money in different parts of the world. The following table comprises the most interesting portions of the statement:

SPECIE.

Country.	Gold.	Silver.
United States	$702,018,869	$482,071,346
United Kingdom	550,000,000	100,000,000
France	900,000,000	700,000,000
Germany	500,000,000	145,000,000
Belgium	65,000,000	55,000,000
Italy	140,000,000	60,000,000
Switzerland	15,000,000	15,000,000
Greece	2,000,000	4,000,000
Spain	100,000,000	125,000,000
Portugal	40,000,000	10,000,000
Austria-Hungary	40,000,000	90,000,000
Netherlands	25,000,000	65,000,000
Scandinavian Union	32,000,000	10,000,000
Russia	190,000,000	60,000,000
Turkey	50,000,000	45,000,000
Australia	100,000,000	7,000,000
Egypt	100,000,000	15,000,000
Mexico	5,000,000	50,000,000
Central America		500,000
South America	45,000,000	25,000,000
Japan	90,000,000	50,000,000
India		900,000,000
China		700,000,000
The Straits		100,000,000
Canada	18,000,000	5,000,000
Cuba, Hayti, &c.	20,000,000	2,000,000
Total	$3,727,018,869	$3,820,571,346

In 1878, we had only eight million of standard dollars in the United States, and now we have four hundred and six million, full legal tender silver dollars besides seventy-six million of small silver coins, 50, 25, and 10-cent pieces, the legal tender of which is limited, and one hundred and twenty-four dollars worth silver bullion in the Treasury.

Again it is said that the interest of the debtor class demand free and unlimited coinage of silver. Who are the principal debtors in our country? Are they the farmers, the merchants, the mechanics, the laborers, and the professional class? No doubt a good many of us owe more than we like to acknowledge, and find it hard to satisfy our creditors. But there are other debtors who owe thousands, hundreds of thousands and millions, where we owe hundreds. Take our railroads, our cities, counties and states, the United States, the banks, the insurance companies, savings banks, loan and building associations and other big corporations. These corporations would, if free silver coinage is a blessing to the debtor class, be the chief beneficiaries. They have received sound, honest money; are they to be permitted to pay their debts in depreciated currency. The men and women who earn an honest dollar should receive it and not be paid in anything else. These people have invested their surplus for years in one or other of these institutions and paid in honest money dollars which were and are worth 100 cents anywhere in the world. Shall these institutions be permitted to repay them in a currency which is likely to be worth only 50 cents on a dollar? Is this honesty? The silver men will say that the money in circulation then, will be worth as much as it is to-day, or in other words, that it will have the same purchasing power as to-day; while they claim on the other side that with an unlimited coinage of silver the prices of all products will be enhanced. How do these two claims agree? One of their representatives, a U. S. Senator, if correctly reported, expressed himself in conversation regarding

an international monetary conference to be called by Germany, that this conference would not amount to anything, as England, being the great creditor nation of the world, would never agree to bimetallism, as she would receive only 50 cents for every dollar of her credits. Now here, one of their Apostles admits that the silver in circulation in consequence of free and unlimited coinage, would be worth only one-half of what our silver currency is to-day, and this agrees with the experience of every country that has tried this experiment. Some, and I will admit, most of the silver men, say that the free and unlimited coinage of silver will put silver on a parity with gold. We have tried this for about 12 years, but what is the result? Silver has gone down more and more. In 1878, a law was passed making it mandatory on the Secretary of the Treasury to purchase not less than two million, nor more than four million dollars worth of silver bullion per month, and that law remained in force until changed by the Sherman law of 1890, and silver declined steadily. The Sherman law of 1890 provided for the purchase of fifty-four million ounces of silver bullion per annum for which treasury notes (so-called silver certificates) were issued; yet silver went down. In 1893 the law was repealed, and silver continued in its downward course. Now, what can the government of this country do to enhance the value of silver, to bring it to a parity with gold? It seems the cause of the depreciation is, that the product of silver has quadrupled during the last twenty-five years, and that about all nations have stopped coining it.

"Mr. Muhlman, the Deputy Ass't U. S. Treasurer, in New York, claims only five hundred and eighty-one million dollars in gold, as in circulation in this country which would be one hundred and seventeen million less

than the government estimates. He thinks the hoarding of gold is overestimated, but that more of it is used in consumption of art than generally claimed. According to Dr. Soetbeer's authority, the production of gold since the discovery of America amounts to 6600 million dollars, and that of silver to 10800 million dollars. From 1492 to 1520, there were produced 108 million dollars in gold against 55 million dollars in silver, and the ratio of the two metals was 10-75. From 1661 to 1720, the production amounted to three hundred million of gold and 580 million of silver and the ratio was 13-21. From 1761 to 1800, 512 million of gold and 1273 million silver, and ratio was 15-09. From 1800 to 1810, 118 million of gold and 372 million of silver, and ratio was 15-61; from 1811 to 1820 76 million gold and 225 million silver and ratio was 13-51; from 1850 to 1875, three thousand million of gold and only 1400 million of silver, and ratio was 15-29 to 17-76, silver in 1873, selling at $1.30 an ounce; from 1881 to 1890, the production of gold was 1060 million and of silver, 1299 million and ratio was 19-76. In 1891, 131 million gold and 171 million silver, and ratio was 20-02; 1892, 146 million gold and 198 million silver and ratio was 23-73; in 1893, 156 million gold and 208 million silver, and ratio was 26-49. The ratio has steadily widened from 1520 until 1894. The great fall in production of silver from 1800 to 1810 was scarcely reflected in ratio. What is the cause of the widening of the ratio in the last decade? We see that the production of silver increased from 1881 to 1890 over that from 1871 to 1880 by nearly 400 million dollars, and find a decrease in production of gold in same term of about 100 million dollars, and from 1890 to 1893, there was a production of 583 million dollars in silver against 433 million dollars in gold, which would have made, if continued, a gain of 500

8800

million dollars in silver production over gold production in ten years, or three times larger proportionate increase than in the forty years from 1761 to 1800, when the difference of production in favor of silver was phenomenal. This is no doubt one of the reasons, and the main one, for the widening of the ratio, but other reasons are likely, the decrease in its use in the arts, fashion, etc."

Mr. Alfred Rothschild came forward with a plan for the re-monetizing of silver at the Brussels monetary conference in 1892. He said: "Establish international silver money at a ratio to be based upon the market value of silver, changeable by agreement, to be unlimited legal tender in all the contracting countries, but redeemable by the issuing nation. No limit to coinage; charge 10 per cent." So far, it would have been acceptable, but then he says further: "European states to buy annually in proportions and conditions to be agreed upon, 30 million ounces of silver, to be devoted to monetary uses for a period of 5 years, unless silver goes beyond the limit (in price) to be determined upon; provided, however, that the United States continue to purchase 54 million ounces of silver annually and free coinage continue in India and Mexico." He wants us to buy very near double the amount of silver than all of Europe, when three states alone, England, Germany and France, have double the circulation of money of ours.

It is often said that no great political party ever committed itself to any ratio except that of 16 to 1. The coinage law of 1793 fixed a ratio of about 15 to 1, which over-valued silver and drove out gold. In 1834, gold—silver being the unit of practical business contract at the time—was put into the gold coin, and silver was undervalued in the ratio then adopted; that ratio was

16 to 1, same as to-day; so that it was not fixed in 1873 as silverites claim. All the time Continental Europe was governed by the ratio of 15½ to 1, a higher rating of silver than we adopted in 1834. Consequently, the gold dollar became with us the unit of practical business contracts and so remained until all ratios became inoperative under the issue of paper during the war. The advocates of 16 to 1 of to-day, however, insists that the unit of value from 1792 to 1873, was a silver dollar. What would be honest bimetallism to-day? To reach a correct result, after satisfying ourselves that justice to our own people will not permit us to wait upon Europe or India, we must ascertain the present commercial ratio and be guided by this, but an unlimited coinage of silver at the ratio of 16 to 1 is unreasonable under existing circumstances.

Another authority says:

"Going back to the production of gold and silver, on investigation it will be found that the annual product of gold dropped from 106 million dollars in 1870 to 90 million in 1874, and rose again to 138 million dollars in 1892. The total fluctuation was less than 50 million. Again, the gold product was the same in 1886 as it was in 1870. By 1892 it had increased over the product of 1870 by only 33 per cent.

Silver's history in this time will startle any one who reads it for the first time. In 1870 the silver product was 51 million, in 1873 it had risen to 81 million or 60 per cent over that of 1870. It had then a few reactions but then its upward rush began until it rose in 1891 to 196 million or 300 per cent over its production in 1872. Can anyone tell me how silver could have failed to fall in the market? This extraordinary increase in production was in the face of a falling market, or rather a de-

cline of its value. How much more would have been mined if the price of silver had remained same as in the 70's, can only be conjectured. The only way the price could have been kept up, would have been by a close-down of all the silver mines."

The only hope of the silver producers lies in the favorable action of foreign governments to rehabilitate silver and to fix the free coinage of both gold and silver at a certain ratio. Germany and France have announced their willingness to send representatives to an international monetary conference, and the last Congress has authorized a representation on the part of our government. This seems to be the only remedy; extreme action on our part is impracticable. Some papers, advocating the free unlimited coinage of silver at 16 to 1, try to make a point of Germany's agitation for bimetallism, but it should not be lost sight of that no German authority, no German paper, ever has spoken in favor of free, unlimited coinage of silver at the ratio of 16 to 1, as all agree that this would lead to silver monometallism. We often hear of the dollar of our daddies, &c. The fact nevertheless is, that after this government was established, and this country had taken its place among the other nations of the world, the power of coining our own money and whether on a single or double standard, caused much discussion and trouble. I have never heard that the doctrine of free and unlimited coinage of silver was mentioned in the debate. It was agreed by Jefferson, Hamilton and others that "If the double standard was to be attempted at all, it should be predicated on a ratio to be fixed by the commercial or market value of the two metals.

At the time when the debate in Congress as to our currency was going on, a great many foreign coins were

in circulation in this country. The Spanish dollar was the only one considered as a general standard. The English pound at that time was of different value in different states, ranging from 1547 grains of fine silver in Georgie to 966¾ grains in New York. The statesmen of those days, Hamilton, Jefferson, Morris, &c., saw that there must be some ratio adopted which would do justice to all concerned and Thomas Jefferson recommended that:

"Just principles will lead us to disregard legal proportions altogether; to inquire into the market price of gold in the several countries with which we shall be principally connected in commerce, and to take an average from them."

Hamilton said in his report to Congress:

"But the quantity of gold and silver in the national coins, corresponding with a given sum, cannot be made less than heretofore without disturbing the balance of intrinsic value, and making every acre of land, as well as every bushel of wheat, of less actual worth than in time past. If the United States were isolated and cast off from intercourse with the rest of mankind, this reasoning would not be equally conclusive. But it appears decisive when considered with a view to the relations which commerce has created between us and other countries."

The advocates of silver of to-day will say, we do not want to decrease the quantity of silver in the dollar; but it must not be forgotten that silver has not the same market value to-day which it had one hundred years ago.

In this connection an article entitled "The agitation in favor of bimetallism" written by Leroy Beaulieu, the celebrated French financier and translated for the Times-Herald of Chicago, may be of interest:

"There has existed for some time in France a lively agitation in favor of the re-establishment of what is called by the odd name of 'bimetallism.' Committees have been formed for the discussion of the subject. Though three-fourths of the people who compose them do not know what it all means, yet they think it well to offer to the electoral body the enticement of a new humbug. We are fed nowadays on vain formula, and the end of all things for politicians consists in extolling for all evils a remedy which, were it only tried, would effect an immediate cure; so bimetallism is the fashion in this class.

There are three measures proposed: First, that silver should be received at its full value in all countries for large payments, while gold is de jure in the possession of England, Germany, and some other countries, and de facto in France and the United States. Second, the mints should be opened in all countries to the unlimited coinage of silver. Third, a fixed and immutable ratio should be established between silver money and gold money.

French bimetallists have decided to re-establish definitely the old value of 1 to 15½, viz.: 1 gramme of gold is worth 15½ grammes of silver, while to-day in the bullion market 1 gramme of gold is worth about 33 grammes silver. If all countries of the world adopted these measures, we should have what is called international bimetallism, and would enjoy paradise on earth. If wheat, wine, wool and metals are down, the low prices are said to be due to the abandonment of silver by the nations of Europe. We have tried a hundred times to dissipate these strange illusions. How, indeed, could the demonetization of silver by European nations affect the price of wheat when so much of this article is furnished to Europe by the United States, Canada and Australia, countries of gold standard, Argentine and Russia, the countries of paper money, and, at least for this last named country, with rising exchange since the last three or four years, and a small quantity from India, country of the silver standard? How could the small quantity from India rule the prices of the enormous quantities furnished by the United States, Canada, Australia, Russia and Argentine?

The demonstration that the abandonment of silver in nowise affects the fall in prices is shown decisively by considering other products not imported from silver standard countries, but which come solely, or nearly so, from gold standard countries. Take wood, for instance, few articles have fallen so low in price. It comes from Scandinavian countries, with gold standard; from Canada (gold). Then again there is wool. That comes principally from Australia (gold), from the Cape (gold), and a small quantity from Argentine, which has no metal standard, but paper money. Coffee, on the contrary, which comes from a country whose exchange has depreciated prodigiously (Brazil), has risen during the last twenty years. Instead of seeking a cause unique and mysterious for the low price of a host of articles, it would be better to examine the special cause of the depreciation of each one of them, and they are soon found, viz., the opening up of new countries; agricultural progress and extensive culture in old countries; perfection in navigation and the lowering of freight rates, all coinciding with the reduction in the rate of increase of population in civilized countries. Production makes enormous progress by scientific applications, and the population increases less and less in France, Belgium, Switzerland, in England, the United States and all over the civilized world.

Yet in the presence of these great causes there are people simple enough to believe that in mumbling the word bimetallism, or in changing the money, they will modify everything. Besides, the proposed transformation of the money goes against nature. The production of silver, due to the great prevalence of its deposits and the progress in the art of extracting and treating it, has become so abundant that it is doubled every fourteen or fifteen years. We have before our eyes the report of the director of the mint of the United States, who is an authority on the subject. In 1873 the production of silver was 63,276,000 ounces, having a monetary value, according to the American authority, of one weight gold to sixteen of silver, which is a little different from ours, which is one weight gold to fifteen and one-half silver, of $82,000,000, or 423,000,000 francs. In 1890 the production of silver was 126,095,000 ounces, having a monetary value in the United States of $163,032,000; so in seventeen years it had doubled, but since then the progress seems to have become more rapid. In 1893, the production of silver amounted to 161,776,000 ounces, having in the United States a monetary value of $209,165,000, and, as this last figure is calculated according to the American ratio of 1 to 16, to obtain the sum according to the French ratio of 1 to 15½, we must increase the figure about three per cent which makes the production of silver in 1893 of the monetary value for the Latin Union of $215,000,000. (See American official report—Report of the director of the mint for the fiscal year ended June 30, 1894, p. 52.)

So here is a metal producing a monetary value of $215,000,000 a year, which was never approached by any other precious metal. The production of gold, on the contrary, fell from 1883 until 1887 between 500,000,000 and 560,000,000 francs a year. It has risen now, and oscillates between 800,000,000 and 900,000,000 francs. It is expected that in two or three years it will reach or over-strip the milliard; but even so, it will be below the production of silver valued by the monetary tariff of the Latin Union. The characteristic in the production of silver is that it continues to grow each year, although the mints of the civilized world are generally closed to it, and though the commercial value of the product has fallen 55 per cent during the last twenty-five years, the deposits are so enormous that nothing stops the development of this production. If the impossible should happen, and the bimetallists should triumph (of which there is not one chance in a hundred), and international bimetallism be universally adopted at the fifteen and one-half ratio, the production of silver, so stimulated, would mount up to two or two and a half milliards of francs a year; the world would be flooded with silver and transactions in detail would become inconvenient by reason of the large quantity of money one would have to carry about to pay for the most trifling articles.

On the other hand, the production of gold would be restricted very considerably. Civilization would abandon the most commodious metal, and load itself down with the cheaper and less convenient. Why not at once go back to copper? This metal formerly enjoyed free coinage in Egypt and Rome, and only lost this function when it became too common, just what is happening to silver to-day.

We said that the bimetallists have not the shadow of a chance to win, their system being pernicious and impracticable. Sir William Harcourt, Chancellor of the Exchequor of England, told them so plainly a few weeks ago. England is quite willing for other nations

to become bimetallic, but declares that she will not for a moment contemplate giving up her gold standard, which she considers essential to her financial strength and consequently to her national power. The Prince of Hohenloe, Chancellor of the German empire, spoke in the same terms, and remarked that an examination of the question of adopting silver ought to leave intact the interior circulation of the country whose standard is known to be gold.

Leon Say has published two very interesting articles on the subject of bimetallism in the Journal des Debats. They are the more to be studied, as, in the first place, the author is known to be an expert, and, in the second place, he has not taken a dogmatic stand against the double standard; indeed a dozen years or so ago he seemed to be somewhat in favor of it. But to-day Leon Say declares very plainly that it would prove to France most disastrous financially, economically, and also, perhaps, politically, to enter into any international monetary combine which had for its basis bimetallism. He quotes the celebrated Latin Union between France, Belgium, Switzerland, Italy, and Greece, which everyone knows has become a cause of great embarrassment. It has encumbered us with Belgian money, and, worse still, with Italian money. We take the 5-lire pieces that Italy will not take back.

To dissolve the Latin Union seems easy in words, but how can we make Italy take back the hundreds of millions of 5-lire pieces which are in circulation, or lie in the vault of the Bank of France and give us gold in exchange? That would be just now a difficult problem to solve. We should, by insisting, only come to complications, or perhaps worse, with our Italian neighbors.

Mr. Say argues, with reason, that a monetary union to be successful, should be contracted for at least a

century—a monetary union for ten or twenty years, or revocable at will, would have very serious inconveniences, even for the richest countries on the earth. He also adds, and with reason, that a union of this kind, to be of good effect, should control the banks, bank notes, paper money of each contracting parties, as well as the metallic money. This is evident. If a monetary union is concluded with any country with the present regime of metallic money, and these countries afterward adopt paper and reject and throw upon the other countries all the metal, to which an artificial value has been given, the situation of these other countries might become seriously embarrassed. Besides, what means have we to regulate the omission of bank notes or government notes in the interior of different countries? These regulations, to be efficacious, would entail the necessity of regulating also their budgets, finances, their politics, even both interior and exterior, in a word, their whole administration, for it is by the defects of their interior or exterior politics that Italy, Portugal, Spain, the Argentine Republic, Brazil and Greece and other nations got into difficulties.

Now, it is impossible to regulate the interior administration or the exterior politics of any country, and it is equally so to determine their monetary regulations. A good monetary regime is the consequence of the good condition of the national health, and a bad regime, (monetary) comes from a bad condition of the country. The result gained from experience and observation, teaches us that prosperous countries would become victims to the other weaker and poorer countries, should they enter into any international monetary combine. The Latin Union shows us this. If we had entered into money associations only with Belgium and Switzerland the Latin Union would not cause us any great embar-

rassment, but we have also as partners, Greece and Italy, and from these countries it comes that the Latin Union is for us a great vexation and a cause of great difficulties. After this first experience, in times quieter than now, it would be absolute folly to try a second, and that, too, one of greater proportions and conditions more artificial. We would at once become the victims of our weaker allies. Let us imitate England and not put ourselves into any monetary dependence with countries which are badly governed.

As for difficulties resulting from the fall in the price of silver in the extreme east, that will right itself. What is wanted is, that silver should reach a level of value where these fluctuations become unimportant. For a year the tendency has been in this direction. It fell to about 27 pence per ounce, which made it lose 55 per cent of its former value, but for a year it has made but slight digressions. Under these conditions, the industrial use of silver will become wider, to the advantage of the working classes, and perhaps to production, as these low prices will finally be restricted. Bimetallism, though an impossibility, has served as a pretext to raise silver to 29 pence. Thus, all these artificial measures only provoke the evil by preventing silver from reaching a level value, little variable, which would allow the relations between the countries of gold standard and those of silver standard easily to adjust themselves on a firm basis."

We often hear of the indebtedness of the world and that we have not money enough to pay it. This is true, but what of it? It is a mistake of the "cheap" money advocates, that the wealth of the world is in its actual money, and that the actual dollar is necessary in every transaction. These people do not stop to consider that in 95 per cent of all business transactions

no money whatever passes; that not cash, but credit, as represented in checks and drafts, is the basis of the world's business; that in comparison to the amount of business done, the amount of money, be it gold, silver or paper, is quite insignificant. The bonds of all nations could not be paid in one day, and no bank, however solvent, can pay all its indebtedness at any moment. There are in the banks of the United States, perhaps three times more deposits than there is money in the United States. Nevertheless all these deposits could be paid with a very small proportion of the money in circulation. National debts are paid out of the resources of the nations; one good dollar pays many hundred dollars of debts.

The silverites say that if the silver money is destroyed there will not be currency enough to transact the daily necessary business. But who wishes to destroy silver as money? There is not a country in the world but uses silver as money; England, Germany, France, Austria, Russia, Italy and other nations have silver as part of their money and likely always will have.

Again, we hear that the Rothschilds, the Bank of England and other large capitalists of the world have forced silver down. Is not the cause of the depreciation the increase of the supply and a decrease of the demand? No doubt, if the leading nations of the world would conclude to use more silver, the price of silver would go up; how high, is again a question of supply and demand. But I contend that this country cannot, in the face of the enormous production of silver, restore its value by opening its mints to the unlimited coinage of the same. Such policy would only deprive us of our gold; anyway, such is the history of every attempt in that direction by any country. The system

of drafts and checks has certainly done away with the necessity for silver and even gold, in most transactions. The handling of large sums of money of whatever kind, is connected with risk and inconvenience, but if unavoidable, gold is preferred on acount of it being less bulky and the one which has the most confidence. If any of us have the choice we prefer $1000.00 in gold to $1000.000 in silver.

The able writer on bimetallism, Mr. Laughlin, says:

"This being the character of the monetary desires of modern nations, the opportunity of satisfying these desires, rendered possible to a very large extent by the enormous production of gold since 1850, has been, in my judgment, the cause of the fall in the value of silver. The situation in brief, was this: In 1850, the western world possessed a certain sum of both gold and silver in use as a medium of exchange, both as metals, be it observed, being in use for a common purpose, the interchange of goods. Now, there was suddenly added in 1850 to 1875 about three thousand million dollars of gold. What was the effect? A very simple and natural increase in the use of gold by all the countries which could get it. But just to the extent to which the desire for gold could be satisfied by countries which had hitherto used silver wholly or in part, so far was the demand for silver as a medium of exchange diminished. The new gold therefore, because it was always preferred to silver, pushed it out of place, and, by filling the vacancy, took away from silver a part of the previous demand for the heavier metal. To the mind of the commercial world it was a substitution of a more convenient for a clumsier medium of exchange. In considering this movement a monetary progress, and comparing it with similar events in industrial progress in almost every branch of activity,

no illustration seems to me more exactly to describe the change caused by the introduction of the new gold, than that of steam. In former days, the world carried on its exchanges by the slow, uncertain and clumsy methods of coaches, wagons and sails. Now, all is done at less expense, more rapidly and conveniently by railways and steam ships. Both coaches and railways existed to transfer passengers and freight; so both gold and silver were used to interchange goods. Formerly coaches were our chief dependence; so was it with silver. In later years the railway has supplanted the coach, because it does the same service much better, leaving the coach to do minor work in other directions; in the same way gold is supplanting silver because it serves the needs of commerce better and silver is relegated to use as subsidiary coin for retail transaction. Consequently, when there is offered to a commercial country the choice between using gold and using silver, we should as soon expect it to prefer silver as we should expect merchants to-day to send their goods from New York to Chicago by wagons instead of by railway. This is the tendency among modern states to which we wish to call attention. Inasmuch, as the production of gold from 1850 to 1875 was as great as in the 357 years preceding 1850, it can easily be seen what an opportunity was given to gratify the universal preference for gold to silver, coming, as it did, at the opportune moment when commerce begun to expand in an unusual degree. To the extent of the surplus gold, this absorption of gold could go on without interfering with its value except to keep it from a fall. This is a striking fact in monetary history; increase the production of gold enormously and it is eagerly absorbed, and so does not undergo much depreciation; but if the production of silver be increased to the same

extent, it is not permitted to displace gold in the commercial states, as is the case with gold. The increase of silver only creates distress to know whether the usual outlets for silver in the East are sufficient to carry off the surplus.

Thirty-five years ago England and Portugal alone had a legal gold standard; all other countries either by law or by the effect of circumstances, employed a silver currency. The United States had a double standard with but little silver in use; but Germany, France and the countries of Continental Europe had a silver medium. To-day, the situation is entirely reversed. In Europe there is not a mint open to the free coinage of silver. Gold has unquestionably become the only real medium of exchange for commercial Europe. And all this, I contend, has been brought about by two things: The commercial preference for gold and the extraordinary production of gold in California and Australia. In proportion as gold found a market, silver was deprived of one, since they were both in use for the same purpose.

The Philadelphia Press in a late issue says:

"The silver standard which prevails in South America cannot be working to entire satisfaction. At any rate, Chili, the most progressive and enlightened of the South American nations, has determined to abandon it. Its Congress has just passed a law making the gold dollar the monetary unit. Silver is to be coined at the ratio of 33½ to 1; that is, at the present market ratio of the two metals. The silver dollars are a legal tender for all payments to the limit of fifty dollars. No one can be obliged to take more than that much of the heavy coins. Chili is ambitious to take its stand among the nations of the earth, and to that end she thinks it

wise to provide herself with a currency as good as the best. A silver standard will do well enough for Peru, Patagonia, Mexico, and the United States—if the silver party ever get their way here—but it is no longer good enough for Chili."

The silver men claim the panic of 1893 is due to the demonetization of silver, the crime of 1873 as they call it and nothing else. What was the cause of the panics of 1873, 1857 and previous ones? It certainly could not have been the crime of 1873; so there appear to be other causes for panics and may not these other causes have been partly responsible for the panic of 1893; was it not an over-production of goods of all kinds, an extreme speculation in real estate, an artificial boom in all parts of the country? Had not the expected change in our tariff laws a good deal to do with the 1893 panic?

But in opposition to the claim of the silverites regarding the cause of the panic of 1893, sound money advocates claim with much justice, that the fear that the continued purchase of silver bullion by the government was bringing the country to a silver basis, brought on the panic. Certainly the gold exportations at that time were very heavy and gold was being hoarded. In consequence, confidence disappeared and all kinds of money were withdrawn from the banks and being hoarded. When the bill repealing the Sherman law passed Congress, the backbone of the panic was broken. One thing is certain: if this country should adopt free coinage of silver at 16 to 1 a scramble for gold would set in. This would cause a contraction of loans, and a general panic would set in, the end of which cannot be foreseen.

Coin gives on page 108 of his work a table of prices for the years 1872 to 1893, of wheat, cotton and silver.

According to this table, wheat fell from $1.40 to 63 cents, cotton from 18 cents to 7, while silver fell from $1.32 to 72 cents. He then says this proves that the purchasing power of gold has increased. He claims that the silver is the thermometer we have to indicate the rise in gold. Coin selected here two articles which are always selected by "cheap" money advocates, wheat and cotton. The following table shows the prices in gold of three farm products and silver for the last 23 years:

Year.	Bu. Corn.	Bu. Oats.	Bbl. Pork.	Oz. Silver.
1871	43	36	$14.65	$1.32½
1872	35	29	11.91	1.32
1873	41	32	14.14	1.30
1874	59	47	17.44	1.28
1875	37	32	18.42	1.25
1876	34	32	17.50	1.16
1877	34	28	13.98	1.20
1878	32	24	9.71	1.15
1879	37	33	9.88	1.12
1880	39	36	15.23	1.14
1881	63	46	16.94	1.14
1882	48	37	19.79	1.14
1883	42	33	16.59	1.11
1884	36	28	16.48	1.11
1885	33	29	11.58	1.07
1886	36	30	10.63	1.00
1887	41	30	15.00	.98
1888	34	33	15.10	.94
1889	28	23	12.58	.94
1890	50	42	12.13	1.05
1891	41	32	11.38	.99
1892	39	32	11.52	.87
1893	37	29	18.35	.78
1894	45	32	14.13	.64

From this table it will be seen that the price of corn was higher in 1894 than in 1873, prices of oats, and mess pork the same, while silver fell from $1.30 to 64 cents. It seems that Coin's argument that gold has risen in purchasing power is not true, since gold has held its own with corn, oats and mess pork. Is it not rather true that silver has fallen in purchasing power? Above table of prices shows that one ounce of silver in 1894 would buy only one-half as much corn, oats or mess pork as it would in 1873. Will one ounce of gold buy more now than it did in 1873? Certainly not of corn, oats or mess pork, but it will buy twice as much silver. It is often questioned whether gold is the best measure of value to be had. Political economists claim labor to be the only true measure of all values. If we take this new measure we certainly find a state of affairs as to value of products, gold included, which will astonish most people.

The following table of comparative values is compiled by Mr. Edward Atkinson, from the report of the Finance Committee of the United State Senate, computed under the direction of Commissioner Caroll D. Wright.

In this table the prices of the year 1860 are taken as the base—100—and valuations up or down are based upon the prices of that year.

PRICES, WAGES, PURCHASING POWER.

	1845	1850	1855	1860	1865	1870	1875	1880	1885	1890
Meat	79.4	86.6	104.7	100	197	174.8	140.4	103.6	107.6	99.6
Other food	82.8	86.7	114.5	100	240.3	146.3	135	116.9	97.2	103.5
Clothes and clothing	97.1	91.3	94.7	100	209.2	139.4	120.1	104.5	84.8	82.4
Fuel and lighting		102.6	121.1	100	237.8	196.5	156.5	100.2	89.6	92.5
Metals and implements	110.8	114.8	117.8	100	191.4	127.8	117.5	96.3	77.4	73.2
Lumber and building materials	106.7	102.2	103.4	100	182.1	148.3	143.7	130.9	126.6	123.7
Drugs and chemicals	121	123.6	120.2	100	271.6	149.6	144.2	113.1	86.9	87.9
House furnishing	102.3	125.6	121.1	100	181.1	121.6	95	85.2	79.1	69.5
Miscellaneous	114.8	107.7	115.2	100	202.8	148.7	122.9	109.8	97.5	89.7
Average of all prices	102.8	102.3	113.1	100	216.8	142.3	127.6	106.9	93	92.3
Average of all wages	86.8	92.7	98	100	143.1	162.2	158.4	141.5	150.7	158.9
Average wages by importance	86.7	90.9	97.5	100	148.6	167.1	158	143	155.9	68.2
Salaries of city teachers	74.8	83.8	91.4	100	134.7	186.8	188.1	182.8	186.3	86.3
Paper money	100	100	100	100	49.5	81.5	88.8	100	100	100
Gold price of silver bullion in London	95.3	97.3	100	100	99	98.2	92.2	84.7	78.7	77.4
Purchasing power of wages	84.4	90.6	86.6	100	66	114.1	124.1	132.3	162	172.

Study the above table and you will find that a day's labor will buy more commodities to-day than it ever did before, and that the howl of the silverites, that everything is going to the dogs, is uncalled for. We certainly have had a very severe depression during the last two years, but that is not going to last forever. Indications for a revival of business are apparent everywhere, unless, indeed, this new craze should throw us back again.

There is no doubt that goods will be higher in this country if we adopt a free, unlimited coinage of silver, thereby driving out our gold. It will take more silver dollars to buy the same amount of goods as now. The working man's wages will have to increase accordingly, but all working men know by experience that it is a very hard matter to get higher wages. Wages are always the last to rise and the first to come down. The savings of the workingman would not represent as much value as now, because a day of reckoning is sure to come and all property will be found to contain more wind than value. The merchant will be worried over prices of goods; they will go up at first, but how long are they going to stay there? The farmer

may say he will get more for his farm products. Suppose this is true (but remember it is only in silver dollars, whose value is very problematical), will he not have to pay more for all his purchases, lands included, and will lands at the time he gets through paying for them be worth as much as he paid for them? Will he be able to sell these lands again, say in 20 years, for as many gold dollars as it took him to buy them; is there not danger that the dollars he wants to sell these lands for will only be worth 50 cents? Are the farmers ready to take this risk?

What does the workingman say? Does he want to run the risk of saving part of his earnings in, to say the least, a doubtful money? No doubt labor is the foundation of wealth. What is the timber worth as long as it stands in the forest; what the coal and mineral in the ground? Labor has to come and prepare it for market; labor has to work the soil, so that corn, wheat, oats, etc., may be produced. In factories, labor is a main factor in production; certainly machinery cuts a great figure, but this machinery represents so much labor, either of brain or hand. Does the workingman want to invest his surplus earnings in a doubtful money, or what he can purchase for this doubtful money? The best is not too good for him. He cannot afford to buy himself a home with say $500.00 of his savings, which may depreciate to half its value in course of years. The silverite will say, that the silver dollar will be just as good as a gold dollar. Experience in all countries proves the contrary. Again, look at Mexico, a land of magnificent resources, where the same quantity and quality (rather more), of silver as represented in their dollar, will purchase only half of what an American dollar will do and why? Because a Mexican dollar is not redeemable in gold as the

American dollar practically is. Experience further proves that free, unlimited coinage of silver in any one country, depreciates their currency; it has always done so. Why experiment and run such a risk? Why not let well enough alone? We have a good currency; a silver or paper dollar of our currency will buy everywhere in the world as much as our gold dollar or any other gold dollar. Are we ready to sacrifice our credit, our good name for the sake of enriching the owners of the silver mines? There is no doubt, that as soon as we should attempt free unlimited coinage of silver at a ratio of 16 to 1, silver monometallism would be established; the gold currency to the amount of 600 to 700 million dollars would leave the country or be hoarded; the large banking and other institutions would sell their gold at a large premium (which undoubtedly gold would command), buy silver bullion with the proceeds, getting $2.00 for every $1.00 of gold and pay with the new money their indebtedness. We common people could not do this, as we have no gold nor silver bullion.

Instead of the 600 million dollars of gold withdrawn from circulation, silver would have to be coined to take its place; how long would this take? The treasury office says, only about 40 million dollars per annum can be coined in all the mints of the country, so it will take 15 years till we have the 600 million dollars to put in the place of the gold; have we circulation enough to do our business in the meantime?

The bonds of our railroads, cities and government would be sent here for redemption as soon as they fall due, and we would be unable to renew them in any money center; millions of dollars invested here in various enterprises would be called in and we would have

a worse panic than the one we are about to recover from.

It seems impossible that our people will take such a risk.

The great Daniel Webster in a debate said, regarding the danger of depreciated currency:

"There are some political evils, which are seen as soon as they are dangerous, and which alarm at once as well the people as the government. Wars and invasions, therefore, are not always the most certain destroyers of national prosperity. They come in no questionable shape. They announce their own approach and the general security is preserved by the general alarm. Not so with the evils of a debased coin, a depreciated paper currency, or a depressed and falling public credit. These insinuate themselves in the shape of facilities, accommodation and relief. They hold out the most fallacious hope of an easy payment of debts and a lighter burden of taxation."

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